

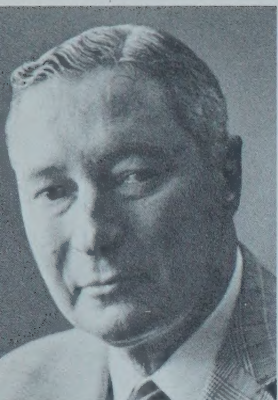
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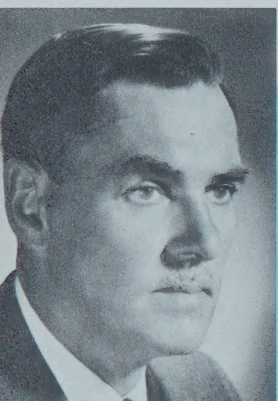
1967

WARNOCK HERSEY INTERNATIONAL LIMITED

The Company is proud to introduce on the cover, its new corporate crest.



BARRON COLLIER, Jr. — Chairman: Collier Development Corporation; Marco Island Development Corporation; Fort Myers Free Press.



R. deWOLFE MacKAY, Q.C., M.A., B.C.L. — Partner: Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston — Barristers, Montreal — Chairman and Director: Geigy (Canada) Ltd. — Director: Robert Morse Corporation Ltd.; Bahama Caribbean Development Corporation Ltd.; Queen's Hotel (Montreal) Ltd.; The Bird-Archer Co. Ltd.; Price & Pierce (Canada) Ltd. — Past Chairman: The Canadian Tax Foundation.



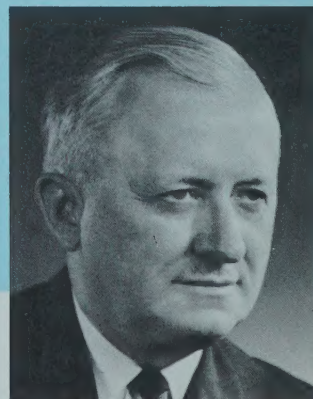
ROBERT R. McLERNON, M.A. — President: Acer McLernon Inc.; J. A. Gosselin & Co.; Polycraft Co. — Director: Guarantee Company of North America; Montreal City & District Savings Bank; S. A. McLernon Co. Ltd.



J. BARTLETT MORGAN — Chairman: The Morgan Trust Company; Morgan Insurance Services Ltd.; Meagher's Distillery Limited — Director: Morgan Storage and Moving Ltd.; Bank of Montreal; Canadian International Paper Co.; Miron Co. Ltd.; Hudson's Bay Company; Montreal Life Insurance Company; Citroen Canada Limited; United Canada Insurance Co. — Member: Advisory Board, Royal Exchange Assurance — Atlas Group.



W. D. ARDELL — Executive Vice-President of the Company.



W. HOWARD WERT, C.A. — President of the Company.



BYRON T. KERR, B.Eng.,
P.Eng., M.E.I.C. — Executive
Vice-President of the Com-
pany.

HON. JEAN RAYMOND, Q.C., M.L.C. — Chairman and President:
Alphonse Raymond Ltée. — Vice-President: Banque Canadienne
Nationale; The Provident Assurance Company; Montreal Refriger-
ating and Storage Ltd. — Director: Canadian Arena Co.; Canadian
International Paper Co.; Canadian Petrofina Ltd.; Canadian Vickers
Ltd.; Chemcell Ltd.



JEAN SIMARD — Vice-President and Director: Marine Industries
Ltd.; St. Lawrence Dredging Co. Ltd. — Director: Consolidated-
Bathurst Ltd.; Sorel Steel Foundries Ltd.; Engineering Products of
Canada Ltd.; Southwestern Oil & Refining Co.



WARNOCK HERSEY INTERNATIONAL LIMITED

BOARD OF DIRECTORS

FRANK H. SOBEY — Chairman: Sobeys Stores Ltd.; Deuterium of
Canada Ltd. — President: Waverly Construction Ltd.; Tidewater
Construction Ltd.; Empire Company Ltd.; Industrial Estates Ltd. —
Director: Toronto-Dominion Bank; Dominion Steel & Coal Corp.
Ltd.; The Canadian Salt Co. Ltd.; Maritime Telegraph & Telephone
Co. Ltd.; Anthes Imperial Ltd.



PETER N. THOMSON — Senior Vice-President of the Company —
Chairman: Power Corporation of Canada, Limited — Director:
Consolidated-Bathurst Ltd.; Canada Steamship Lines Ltd.; Canadian
Industrial Gas & Oil Ltd.; Canadian Petrofina Ltd.; The Royal
Bank of Canada; International Utilities Corporation; Montreal Trust
Company; RoyWest Banking Corporation.

WARNOCK HERSEY INTERNATIONAL LIMITED

Executive Offices — One Place Ville Marie, Montreal 2, Que.

EXECUTIVE OFFICERS

President

W. HOWARD WERT, C.A.

Senior Vice-President

P. N. THOMSON

Executive Vice-Presidents

W. D. ARDELL

B. T. KERR, P.ENG.

Secretary

JACQUES LEDUC, Q.C.

Treasurer

C. G. PENNEY, C.A.

Assistant Secretary-Treasurers

MRS. L. JAMES

T. J. RAPPELL

F. WITHAM

Transfer Agent and Registrar

MONTREAL TRUST COMPANY,

Montreal, Que.

Toronto, Ont.

Solicitors

DUQUET, MacKAY, WELDON,

BRONSTETTER, WILLIS & JOHNSTON

Montreal, Que.

Auditors

CAMPBELL, SHARP, MILNE & Co.

Montreal, Que.

Share Listing

CANADIAN STOCK EXCHANGE

Montreal, Que.

WARNOCK HERSEY INTERNATIONAL LIMITED

To the Shareholders:

WARNOCK HERSEY INTERNATIONAL LIMITED.

Your Directors are pleased to present herewith the opening Consolidated Balance Sheet of the Company as at December 30, 1967 and the Pro Forma Consolidated Statements of Income and Surplus which have been drawn up as though the amalgamation proceedings that took place on December 30, 1967 had taken place on January 1, 1967. These financial statements, together with the notes and auditors' report thereon, are presented in order to inform you more fully as to your investment.

As can be seen from the Summary of Operations the Company and its subsidiaries conduct a variety of businesses. Some of these businesses are of a seasonal nature and accordingly quarterly reports, which the Company proposes to issue, ordinarily will show relatively lower earnings per share in the first and fourth quarters of the year and relatively higher earnings in the second and third quarters.

FINANCIAL HIGHLIGHTS

Consolidated Income for 1967 amounted to \$57,249,649 and Net Income, after income taxes and minority interest, to \$1,680,740. Net Income and cash flow per share (both including surplus adjustments of \$178,946) amounted to \$1.56 and \$2.66 respectively.


Consolidated book value per share amounted to \$9.82 including securities at cost, while taking the quoted securities at market value as at December 30, 1967, the resultant value would be \$11.79.

Your Directors have established an initial dividend policy of eight cents per share per quarter, commencing with the first payment on March 29, 1968.

GENERAL COMMENTS

The reorganization of the Company and its subsidiaries, as of the date of this report, is still in progress. Your Directors are considering the further amalgamation of the Company and its subsidiaries, notably Canadian Power & Paper Securities Limited and at a later date International Bronze Powders Limited. Your Directors will keep you advised as this reorganization plan progresses.

On behalf of the Board of Directors,



President.

March 29, 1968.

WARNOCK HERSEY INC.

CONSOLIDATED

DECEMBER 31, 1964

(1)

ASSETS

CURRENT:

Cash and call deposits	\$ 1,982,911	
Accounts receivable	13,545,441	
Inventories of raw materials, work in process, finished goods and supplies valued at the lower of cost and net realizable value ..	5,708,656	
Prepaid expenses	525,915	
		\$21,762,923

INVESTMENTS — at average cost:

Unconsolidated subsidiaries (note 2)	690,470	
Quoted securities (Market value \$13,417,725)	11,079,705	
Unquoted securities	1,506,270	
		13,276,445
TOTAL CURRENT AND INVESTMENTS		35,039,368

FIXED ASSETS:

Land, buildings, machinery, aircraft and equipment — at cost ..	18,741,904	
Less: Accumulated depreciation	9,236,687	
		9,505,217

\$44,544,585

ERNATIONAL LIMITED

ALANCE SHEET

30, 1967

1)

LIABILITIES

CURRENT:

Bank indebtedness — partly secured	\$ 6,866,065	
Accounts, payable and accrued	6,493,035	
Income taxes	1,470,424	
Long term debt and sinking fund requirements due within one year	1,168,992	
		<u>\$15,998,516</u>

LONG TERM DEBT — (note 3):

Bank and other loans — partly secured	4,971,575	
6½% Secured sinking fund debentures — maturing in 1981	1,508,000	
5½% Income debentures — maturing in 1972	3,000,000	
		<u>9,479,575</u>
TOTAL LIABILITIES		<u>25,478,091</u>

MINORITY INTEREST in subsidiaries	7,373,024
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SHAREHOLDERS' EQUITY

CAPITAL STOCK — authorized 2,500,000 shares without nominal or par value		
Issued — 1,190,000 shares	7,180,000	
SURPLUS	4,513,470	
		<u>11,693,470</u>
		<u>\$44,544,585</u>

WARNOCK HERSEY INTERNATIONAL LIMITED

PRO FORMA CONSOLIDATED STATEMENTS OF NET INCOME AND SURPLUS

1967

(After giving effect, as at January 1, 1967, to the amalgamation described in the attached note 1)

Gross revenue from operations	\$56,345,837	
Investment and other income	903,812	
		<u>\$57,249,649</u>
Operating and administrative expenses	51,170,159	
Depreciation	1,307,242	
Interest on long debt	562,958	
Income taxes	2,004,249	
Minority interest in profits of subsidiaries	524,301	
		<u>55,568,909</u>
NET INCOME FOR THE YEAR		<u>\$ 1,680,740</u>
Pro forma consolidated surplus, January 1, 1967 (note 2)		2,653,784
Add: Surplus on disposal of:		
Fixed assets	176,797	
Investments	629,545	
Dividends paid to minority shareholders of subsidiaries ...	(270,200)	
		<u>536,142</u>
Less: Minority interest therein	357,196	
		<u>178,946</u>
CONSOLIDATED SURPLUS — per Consolidated Balance Sheet		<u><u>\$ 4,513,470</u></u>

WARNOCK HERSEY INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 30, 1967

NOTE 1: Warnock Hersey International Limited is the result of the amalgamation on December 30, 1967, of Foreign Power Securities Corporation Limited and its wholly-owned subsidiaries, The Warnock Hersey Company Ltd., Warnock Hersey Soil Investigations Ltd., and Canadian Car & Bus Advertising Limited. The accompanying financial statements are based on the audited annual financial statements of the said companies and their subsidiaries. The Consolidated Balance Sheet is drawn up immediately following the aforementioned amalgamation and the Pro Forma Consolidated Statements of Net Income and Surplus are drawn up as though the amalgamation had taken place on January 1, 1967.

NOTE 2: Principles of consolidation: The attached financial statements include the accounts of the two operating divisions of the Company, namely, Professional Services Division (formerly The Warnock Hersey Company Ltd. and its subsidiaries) and Trans-Ad Division (formerly Canadian Car and Bus Advertising Limited), as well as the consolidated accounts of the following subsidiaries: Canadian Power & Paper Securities Limited, International Bronze Powders Limited, and Tek Plastics Limited. The accounts of North America Trust Company and Natinvest Ltd. are excluded from the attached statements on the basis that their operations are of a fiduciary and financial nature and the results thereof are immaterial in relation to those of the Company.

As a further principle of consolidation, the Directors have resolved that only those assets of a tangible nature be included on the Consolidated Balance Sheet with the result that intangible assets among the accounts of certain subsidiaries have been applied in reduction of Pro Forma Consolidated Surplus as at January 1, 1967.

NOTE 3: As is customary, the trust deed relating to each of the debenture issues contains certain restrictions pertaining to the issue of additional long term debt, the payment of dividends, the reduction of capital, and the maintenance of working capital. These debentures are outstanding in subsidiary companies.

NOTE 4: Subsequent to December 30, 1967, the Company acquired an additional 140,865 shares of Canadian Power & Paper Securities Limited in consideration for the issue of 281,730 treasury shares for an aggregate value of \$2,253,840. The Directors have authorized an offer to the remaining common shareholders of Canadian Power & Paper Securities Limited to exchange the common shares held by them respectively for shares of this Company, on the same basis.

WARNOCK HERSEY INTERNATIONAL LIMITED

AUDITORS' REPORT

To the Directors of
WARNOCK HERSEY INTERNATIONAL LIMITED.

We have examined the consolidated balance sheet of Warnock Hersey International Limited and its subsidiaries as at December 30, 1967 and the pro forma consolidated statements of net income and surplus for the year then ended. For those companies of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of the other companies.

In our opinion, based upon our examination and the reports of the other auditors referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 30, 1967 and, after giving effect to the amalgamation as described in the attached note 1, the pro forma results of their operations for the period then ended, in accordance with generally accepted accounting principles.



Chartered Accountants.

Montreal, March 25, 1968.

WARNOCK HERSEY INTERNATIONAL LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 30, 1967

	Common Shares	Preferred Shares	Notes (Principal Amount)	Average cost	Quoted at Market Value
UNCONSOLIDATED SUBSIDIARIES					
North America Trust Company (56%)	5,600			\$ 610,000	
Natinvest Ltd. (55%)	8,036			80,470	
				<u>\$ 690,470</u>	
QUOTED SECURITIES					
Canadian Arena Company	300	300		\$ 45,240	\$ 85,500
Canadian Interurban Properties Ltd. (20.4%)	1,000,000			2,197,343	3,300,000
Consolidated-Bathurst Limited ...	50,000	20,500		2,207,604	1,528,250
Dominion Glass Company Limited	15,000			166,100	140,700
Laurentide Financial Corporation Ltd.		1,000		39,350	15,880
Northern & Central Gas Company Limited	60,000			611,275	712,800
Power Corporation of Canada, Limited (44.5%)	50,000	802,455		5,812,793	7,634,595
				<u>\$11,079,705</u>	<u>\$13,417,725</u>
UNQUOTED SECURITIES					
Canadian Inspection & Testing Company Ltd. (40%)	334			\$ 218,354	
Meagher's Distillery Ltd. (30%) ..	239,400	18,799		638,234	
Marco Island Development Corporation	1,900		\$220,000	292,303	
16 Investment Corporation (15%) .	90			111,895	
Miscellaneous				245,484	
				<u>\$ 1,506,270</u>	

() denotes percentage of voting interest if in excess of 5%.

WARNOCK HERSEY INTERNATIONAL LIMITED

SUMMARY OF OPERATIONS

The following operations are carried on by the Company directly or through subsidiaries.

PROFESSIONAL SERVICES DIVISION

Economic, engineering, inspection, applied research, and analytical services to industries and governments. The Division has 18 offices and major laboratories in Canada, as well as offices and subsidiaries in the United States, Caribbean and Central America. The professional and supporting staff number in excess of nine hundred.

TRANS-AD DIVISION

This Division has exclusive advertising rights with over forty transit systems in all major Canadian cities. Internal and external advertising space on the vehicles and illuminated panels of varying sizes inside subway stations are sold to advertisers on both a national and local level.

It also manufactures for both sale and lease opaque and back-lighted plastic identification signs for major Canadian companies including integrated oil companies, motor companies and banks, through Tek Plastics Limited and Tek Leasing Corporation Limited.

CANADIAN POWER & PAPER SECURITIES LIMITED

An investment company (79.6% of the common shares are owned by the Company) and which in turn has a wholly-owned subsidiary, Eastern Canada Stevedoring Ltd., stevedoring contractors and terminal operators at the Ports of Toronto, Hamilton, Montreal, Quebec City, St. John, N.B., Halifax, and other Ports along the St. Lawrence River and in Northern Quebec, Labrador, and the Northwest Territories.

NORTH AMERICA TRUST COMPANY AND NATINVEST LTD.

Specialized trust services featuring the acquisition, financing, and disposal of business enterprises on behalf of clients. The Company owns approximately 55% of the outstanding shares of each of these companies.

INTERNATIONAL BRONZE POWDERS LIMITED

An investment company (88.6% of the common shares and 64.2% of the participating preferred shares are owned by the Company) which, through wholly-owned subsidiaries, carries out the following operations:

AEROSPACE DIVISION

Aircraft custom repair and maintenance shops. Charter of fixed wing aircraft and helicopters for freight and personnel — aerial surveys — pest control — rescue work — fishing and hunting camps and services. Manufacturers of aircraft galleys and related equipment.

Aircraft Industries of Canada Limited — Wheeler-Northland Airways Ltd., Autair Helicopter Services Ltd. and Timmins Aviation Limited.

METAL POWDERS DIVISION

Manufacturers of bronze, aluminum and non-ferrous metal powders and aluminum pastes.

Canadian Bronze Powder Works Limited — Valleyfield, Que.

United States Bronze Powders, Inc. — Flemington, N.J., U.S.A.

Malone Metal Powders, Inc. — Flemington, N.J., U.S.A.

PUBLIC HEALTH DIVISION

Manufacturers of pharmaceuticals and suppliers of surgical instruments, hospital equipment and supplies with head office in Toronto, Ont., and branches across Canada.

Ingram & Bell, Limited

